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International Financial Changes

by

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Total free world reserves expanded by an estimated 18 percent to over $91.8 billion by the close of 1970 (table 1). Roughly four-fifths of this increase is attributed to enlarged foreign exchange holdings, mainly reflecting additional U.S. dollar obligations abroad. World exports, at $278 billion, were up 14.2 percent, and imports, at $288 billion, rose 12.7 percent (table 2).1/ The liquidity ratio (reserves as a percentage of imports) climbed to 29.7 percent -- the first increase in 4 years. Average world prices for the exports of less developed countries advanced less than 3 percent, while prices of developed country exports rose by roughly 5 percent. Industrial country exports realized an average price increase of over 7 percent.

International Reserves. International reserves of International Monetary Fund (IMF) members equal the sum of their holdings of foreign exchange, gold, special drawing rights (SDR's, see table 3) and reserve position with the Fund.

Foreign exchange holdings in 1970 rose by more than $11.9 billion to over $41.8 billion. The major portion of this increase was created by the outflow of short-term capital from the United States, partly in response to lower U.S. short-term interest rates relative to interest rates in other monetary capitals. Euro-dollars previously borrowed by U.S. banks (see page 8) were included in the outflow. Foreign currency holdings of developed countries other than the United States rose by 70 percent to almost $30 billion in 1970. Germany, Italy, and France gained $7.8 billion. Holdings of less developed countries were up 15 percent to $13.2 billion.

World monetary gold holdings increased by $275 million to $41.3 billion (table 4). This surpassed the $105-million gold increase of 1969. Gold production in 1970 was up slightly for the first time since 1966; however, the 4-percent rise in South African output was partly offset by a drop in Canadian and Australian production. Gold sales to the private market declined while gold flowing into official reserves and into international financial institutions increased. The international financial institutions realized the net gain, especially the IMF, whose holdings swelled, largely because of increased member gold payments in connection with repurchases of currency and higher IMF quotas. The IMF also purchased $646 million in gold during 1970. Country gold holdings in 1970 declined to $37.2 billion. Developed and less developed countries each lost a total of roughly 5 percent of their holdings.

U.S. gold sales of $315 million to IMF countries and a $385-million gold payment to the Fund relative to the increased U.S. quota reduced U.S. gold holdings to $11.1 billion by year's end. South Africa's gold production topped $1.1 billion in 1970, but sales reduced net 1970 holdings to $666 million,

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1/ Theoretically, the value of world exports should equal that of world imports. However, this does not occur due to differences in valuation and reporting methods -- for example, f.o.b. for exports vs. c.i.f. for imports. Also trade imbalance between communist countries and members of the International Monetary Fund (IMF) gives the impression that a world trade deficit exists.

Table 1.--International reserves of the free world 1/

Country and area	Reserves Dec. 31, 1968	Reserves Dec. 31, 1969	Reserves Dec. 31, 1970	Change in reserves, Dec. 1969-Dec. 1970		Gold component Dec. 31, 1970 2/	Ratio of reserves to imports 3/
	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Percent	Percent	Percent
ALL COUNTRIES, Total 4/	76,848	77,724	91,814	14,090	18.1	48.9	29.7
INDUSTRIAL AND OTHER DEVELOPED COUNTRIES 4/	62,744	62,159	73,809	11,650	18.7	55.0	29.0
United States	15,710	16,964	14,487	-2,477	-14.6	89.8	32.3
Belgium	2,187	2,388	2,847	459	19.2	65.4	23.0
France	4,201	3,833	4,960	1,127	29.4	71.2	23.9
Germany, Federal Rep. of	9,948	7,129	13,610	6,481	90.9	36.0	42.5
Italy	5,341	5,013	5,299	286	5.7	59.7	33.7
Netherlands	2,463	2,529	3,234	705	27.9	71.9	21.9
European Economic Community (excluding Luxembourg)	24,140	20,892	29,950	9,058	43.4	52.7	27.8
Austria	1,510	1,537	1,758	221	14.4	49.5	44.8
Denmark	449	446	484	38	8.5	18.8	9.9
Norway	702	712	816	104	14.6	17.5	18.1
Portugal	1,362	1,444	1,504	60	4.2	61.2	72.0
Sweden	810	696	761	65	9.3	42.8	10.1
Switzerland	3,927	3,990	4,695	705	17.7	58.2	67.6
United Kingdom	2,422	2,527	2,827	300	11.9	47.7	12.3
European Free Trade Association	11,182	11,352	12,845	1,493	13.2	50.1	24.2
Australia	1,442	1,261	1,692	431	34.2	29.9	32.4
Canada	3,046	3,106	4,679	1,573	50.6	31.2	32.5
Finland	354	359	480	121	33.7	19.9	14.9
Greece	322	317	310	-7	-2.2	48.7	20.1
Iceland	29	39	54	15	38.5	1.8	24.8
Ireland	545	691	696	5	0.7	6.6	40.3
Japan	2,906	3,654	4,839	1,185	32.4	31.1	24.3
New Zealand	76	113	126	13	11.5	41.3	9.4
South Africa	1,471	1,397	1,011	-386	-27.6	70.8	25.6
Spain	1,149	1,281	1,817	536	41.8	29.9	37.7
Turkey	123	245	427	182	74.3	29.2	61.0
Yugoslavia	132	253	139	-114	-45.0	39.6	4.2
LESS DEVELOPED COUNTRIES 4/	14,104	15,565	18,005	2,440	15.7	24.7	36.7
Latin America							
Central American Common Market 5/	228	240	227	-13	-5.4	19.4	18.2
Argentina	760	538	672	134	24.9	40.2	29.4
Bolivia	40	42	46	4	9.5	27.9	21.3
Brazil	257	656	1,206	550	83.8	13.4	52.5
Chile	208	344	388	44	12.8	12.0	52.4
Colombia	173	221	206	-15	-6.8	8.3	30.3
Dominican Republic	36	40	32	-8	-20.0	9.3	9.0
Ecuador	57	65	83	18	27.7	22.8	39.2
Haiti	3	4	4	---	---	2.3	7.7
Jamaica	142	141	165	24	17.0	5.8	126.0
Mexico	657	662	744	82	12.4	41.8	29.3
Paraguay	12	10	18	8	80.0	27.6	19.7
Peru	111	167	314	147	88.0	14.2	52.7
Uruguay	167	184	175	-9	-4.9	92.1	77.4
Venezuela	922	933	1,021	88	9.4	49.1	53.1

Continued

Table 1.--International reserves of the free world 1/ -- continued

Country and area	Reserves: Dec. 31, 1968	Reserves: Dec. 31, 1969	Reserves: Dec. 31, 1970	Change in reserves, Dec. 1969-Dec. 1970		Gold component Dec. 31, 1970 2/	Ratio of reserves to imports 3/
	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Percent	Percent	Percent
Middle East							
Cyprus	156	176	208	32	18.2	10.3	77.8
Iran	292	312	209	-103	-33.0	62.7	13.3
Iraq	453	476	462	-14	-2.9	31.0	84.3
Israel	663	412	449	37	9.0	9.7	34.4
Jordan	284	263	256	-7	-2.7	13.2	155.9
Kuwait	173	182	203	21	11.5	52.9	27.3
Lebanon	332	347	386	39	11.2	75.2	72.8
Saudi Arabia	662	607	662	55	9.1	21.5	n.a.
United Arab Republic	168	145	135	-10	-6.9	63.0	14.9
Asia							
Afghanistan	39	41	46	5	12.2	72.5	n.a.
Burma	152	129	85	-44	-34.0	74.2	68.5
Ceylon	51	40	42	2	5.0	---	11.3
China, Republic	381	443	624	181	40.9	22.7	45.1
India	682	926	1,006	80	8.6	26.2	47.9
Korea	391	553	610	57	10.3	2.6	28.2
Malaysia	516	683	733	50	7.3	13.5	48.9
Pakistan	252	324	199	-125	-38.6	27.1	18.4
Philippines	161	121	251	130	107.4	22.3	19.0
Thailand	1,021	985	916	-69	-7.0	13.8	75.3
Vietnam	279	227	225	-2	-0.9	7.1	42.5
Africa							
Congo (Kinshasa)	138	198	185	-13	-6.6	42.2	30.6
Ethiopia	66	72	71	-1	-1.4	20.6	37.8
Ghana	113	87	71	-16	-18.4	7.9	17.4
Ivory Coast	78	71	105	34	47.9	10.4	116.7
Kenya	100	170	220	50	29.4	5.4	51.9
Libyan Arab Republic	539	918	1,590	672	73.2	5.7	283.9
Morocco	85	114	140	26	22.8	15.0	22.0
Nigeria	125	138	226	88	63.8	13.7	17.3
Senegal	16	8	22	14	175.0	13.6	48.9
Sudan	48	36	22	-14	-38.9	---	7.1
Tanzania	78	80	65	-15	-18.8	10.8	22.3
Togo	26	26	35	9	34.6	5.7	205.9
Tunisia	35	37	60	23	62.6	7.4	22.9
Zambia	199	369	514	145	39.3	4.8	86.2

1/ Includes gold, foreign exchange, special drawing rights, and reserve position in the International Monetary Fund.
2/ Gold tranche position and lendings to the Fund (reserve position in the Fund) included with gold.
3/ Ratio of December 31, 1970, reserves to fourth-quarter 1970 imports (at annual rates). Where fourth-quarter 1970 imports are not available, the latest available quarter (at annual rate) is used.
4/ Includes some countries not separately shown.
5/ Includes Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

--- Indicates figure is zero or less than half of the last digit shown.

n.a. = Not available.

Source: International Monetary Fund.

Table 2.--International trade of the free world, calendar years 1969 and 1970

Country and area	Exports (f.o.b.) 1969	Exports (f.o.b.) 1970	Exports Change 1968 to 1969	Exports Change 1969 to 1970	Imports (c.i.f.) 1969	Imports (c.i.f.) 1970	Imports Change 1968 to 1969	Imports Change 1969 to 1970	Trade balance 1969	Trade balance 1970
	Mil. U.S. dol.		Percent		Mil. U.S. dol.		Percent		Mil. U.S. dol.	
WORLD TOTAL	243,500	1/278,000	14.3	14.2	255,500	1/288,000	13.7	12.7	-12,000	-10,000
INDUSTRIAL AND OTHER DEVELOPED COUNTRIES	195,500	1/226,000	15.3	15.6	206,500	1/237,000	14.9	14.7	-11,000	-11,000
United States	38,006	43,227	9.7	13.7	38,315	42,482	8.5	20.3	-309	745
Belgium-Luxembourg	10,032	11,600	22.9	15.6	9,964	11,900	19.6	19.4	68	-300
France	14,992	17,888	18.2	19.3	17,373	19,139	24.6	10.2	-2,381	-1,251
Germany, Federal Rep. of	29,070	34,194	17.0	17.6	24,953	29,817	23.3	19.5	4,117	4,377
Italy	11,728	13,186	15.1	12.4	12,450	14,939	21.0	20.0	-722	-1,753
Netherlands	9,963	11,765	19.4	18.1	10,989	13,391	18.3	21.9	-1,026	-1,626
European Economic Community	75,785	88,633	18.0	17.0	75,729	89,186	22.0	17.8	56	-553
Austria	2,412	2,857	21.3	18.4	2,825	3,549	13.2	25.6	-413	-692
Denmark	3,018	3,400	14.4	12.7	3,812	4,490	17.8	17.8	-794	-1,090
Norway	2,203	2,455	13.7	11.4	2,943	3,696	8.8	25.6	-740	-1,241
Portugal	823	946	12.4	14.9	1,232	1,556	18.6	26.3	-409	-610
Sweden	5,688	6,762	15.2	18.9	5,905	7,011	14.0	18.7	-217	-249
Switzerland	4,627	5,135	16.6	11.0	5,285	6,551	17.1	24.0	-658	-1,416
United Kingdom	17,515	19,363	14.1	10.6	19,956	21,643	5.3	8.5	-2,441	-2,280
European Free Trade Association	36,286	40,918	15.0	12.8	41,958	48,496	10.0	15.6	-5,672	7,578
Australia	4,221	4,771	19.7	13.0	4,558	4,800	4.0	5.3	-337	-29
Canada	14,390	16,861	9.4	17.2	14,250	14,526	14.2	1.9	140	2,335
Finland	1,985	2,307	21.3	16.2	2,023	2,637	26.6	30.4	-38	-330
Greece	554	2/564	18.4	1.8	1,594	2/1,705	14.4	7.0	-1,040	-1,141
Iceland	108	146	31.7	35.2	123	157	-10.9	27.6	-15	-11
Ireland	891	1,035	11.7	16.2	1,411	1,570	20.1	11.3	-520	-535
Japan	16,002	19,379	23.3	21.1	15,035	18,889	15.7	25.6	967	490
New Zealand	1,211	1,400	19.9	15.6	1,003	1,120	12.1	11.7	208	280
South Africa	2,200	3/2,243	1.9	1.9	3,291	3/3,701	13.8	12.5	-1,091	-1,459
Spain	1,900	2,344	19.5	23.4	4,233	4,717	21.0	11.4	-2,333	-2,373
Turkey	537	2/554	8.3	3.2	747	2/862	-2.2	15.4	-210	-308
Yugoslavia	1,471	1,679	16.4	14.1	2,135	2,872	18.8	34.5	-664	-1,193
Sum of Australia to Yugoslavia	45,470	53,282	16.1	17.2	50,403	57,556	14.5	14.2	-4,933	-4,274
LESS DEVELOPED COUNTRIES	48,000	1/52,000	11.6	8.3	49,000	51,000	8.9	4.1	-1,000	1,000

1/ Estimate. 2/ First 3 quarters at annual rate. 3/ First half at annual rate.
Source: International Monetary Fund, International Financial Statistics, April 1971.

down from over $1 billion a year earlier. Growing international liabilities reduced Spain's gold holdings to $498 million by the close of 1970. The major share was purchased by the Bank for International Settlements. Substantial repayments of foreign debt reduced U.K. gold holdings by $122 million in 1970. Only Japan registered a significant increase in 1970 gold holdings.

On January 1, 1970, the IMF allocated $3.4 billion in special drawing rights (SDR's), which was readily utilized. During the year, many countries used all of their original allocation, but there was a 3.2 percent net gain for developed countries and a 43.5 percent net loss for less developed countries. Belgium realized the largest actual and relative gain, $134 million or 189 percent. By value, the United Kingdom had the sharpest net decline, $144.2 million.

On January 1, 1971, the IMF made a second SDR allocation, valued at $2.95 billion, to 109 participants. Each participant received an allocation equal to 10.7 percent of its December 31, 1970, quota with the Fund. Members' reserve positions with the Fund totaled nearly $7.7 billion on December 31, 1970, up roughly $1 billion from a year earlier.

At the close of 1970 the developed world held over $72.8 billion, or 80 percent of the free world's reserves. These holdings increased 19 percent from the year-earlier level compared to a 16-percent increase in holdings of less developed countries.

Jointly, the European Economic Community (EEC) and the European Free Trade Association (EFTA) accounted for 47 percent of free world reserves. The EEC held 33 percent of the total, higher than the 27 percent of a year before, and EFTA held about 14 percent, basically equal to the previous year's share.

On an individual country basis, Senegal, the Philippines, Germany, Peru, Chile, and Paraguay increased their reserves by more than 75 percent. Reserves in Sudan, Pakistan, Burma, and Iran declined between 30 and 40 percent. Yugoslavia had the largest loss, 45 percent. U.S. reserve holdings declined by over 14 percent to $14.5 billion.

World Trade. The developed countries accounted for roughly 80 percent of total 1970 free world trade; this sector's trade deficit of $11 billion equaled that of 1969. With exports of $88.6 billion and imports of $89.2 billion, the EEC accounted for roughly one-third of world trade. By comparison, EFTA supplied about 15 percent ($40.9 billion) of total exports and received 17 percent ($48.5 billion) of total imports. The United States accounted for one-seventh of the value of total trade. Less developed countries registered a $1 billion trade surplus in 1970.

Price Movements. Export prices of products sold internationally appear to have risen in 1970 with products of developed countries realizing the greater gain. Prices moved upward for many primary products but some prices declined substantially. Coffee prices in 1970 averaged almost one-third above the 1969 level, reflecting sharply lower Brazilian production and a slightly lower aggregate production for South American countries, generally. Coconut oil was up 13 percent in response to below-average crops in 1969 and 1970. Prices for copra, groundnuts, tin, tea, and Caribbean sugar climbed by an average of

Table 3. --Changes in holdings of special drawing rights for selected countries, January 1 to December 31, 1970

Country and area	Value: Received Jan. 1, 1970	Value: On hand Dec. 31, 1970	Change: Dollar value	Change: Percent
	Million U.S. dollars			
ALL COUNTRIES, TOTAL 1/	3,414.0	3,123.9	290.1	-8.5
HIGHLY DEVELOPED COUNTRIES 1/	2,561.0	2,642.0	81.0	3.2
United States	866.9	850.7	-16.2	-1.9
Belgium	70.9	204.9	134.0	189.0
France	165.5	171.4	5.9	3.6
Germany, Federal Rep. of	201.6	257.6	56.0	27.8
Italy	105.0	76.7	-28.3	-26.9
Netherlands	87.4	144.1	56.7	64.9
European Economic Community 2/	630.4	854.7	224.3	36.0
Austria	29.4	38.2	8.8	29.9
Denmark	27.4	17.4	-10.0	-36.5
Norway	25.2	27.2	2.0	7.9
Sweden	37.8	37.8	0.0	0.0
United Kingdom	409.9	265.7	-144.2	-35.2
Australia	84.0	90.5	6.5	7.7
Canada	124.3	182.1	57.8	46.5
Finland	21.0	23.3	2.3	11.0
Greece	16.8	0.0	-16.8	-100.0
Iceland	2.5	0.5	-2.0	-80.0
Ireland	13.4	13.4	0.0	0.0
Japan	121.8	146.3	24.5	20.1
New Zealand	26.4	.4	-26.0	-98.5
South Africa	33.6	39.1	5.5	16.4
Spain	42.0	43.5	1.5	3.6
Turkey	18.1	0.1	-18.0	-99.4
Yugoslavia	25.2	6.1	-19.1	-75.8
LESS DEVELOPED COUNTRIES 1/	853.1	481.9	-371.2	-43.5
Latin America				
Argentina	58.8	59.3	0.5	0.9
Bolivia	4.9	2.7	-2.2	-44.9
Brazil	58.8	62.3	3.5	6.0
Chile	21.0	21.8	0.8	3.8
Colombia	21.0	0.1	-20.9	-99.5
Dominican Republic	5.4	0.0	-5.4	-100.0
Ecuador	4.2	0.1	-4.1	-97.6
Haiti	2.5	0.0	-2.5	-100.0
Jamaica	6.4	6.4	0.0	0.0
Mexico	45.4	47.8	2.4	5.3

Continued--

Table 3.--Changes in holdings of special drawing rights for selected countries, January 1 to December 31, 1970--Continued

Country and area	Value: Received Jan. 1, 1970	Value: On hand Dec. 31, 1970	Change: Dollar value	Change: Percent
	Million U.S. dollars			
Latin America--Continued				
Paraguay	2.5	2.5	0.0	0.0
Peru	14.3	14.3	0.0	0.0
Uruguay	9.2	0.1	-9.1	-98.9
Venezuela	42.0	47.5	5.5	13.1
Middle East				
Cyprus	3.4	3.9	0.5	14.7
Iran	21.0	1.0	-20.0	-95.2
Israel	15.1	0.0	-15.1	-100.0
Jordan	2.7	2.7	0.0	0.0
United Arab Republic	25.2	0.1	-25.1	-99.6
Asia				
Afghanistan	4.9	1.9	-3.0	-61.2
Burma	8.1	0.0	-8.1	-100.0
Ceylon	13.1	0.0	-13.1	-100.0
China, Republic	3/	3/	3/	3/
India	126.0	44.2	-81.8	-64.9
Korea	8.4	10.3	1.9	22.6
Malaysia	21.0	23.4	2.4	11.4
Pakistan	31.6	10.2	-21.4	-67.7
Philippines	18.5	0.0	-18.5	-100.0
Vietnam	6.5	0.7	-5.8	-89.2
Africa				
Congo (Kinshasa)	15.1	15.6	0.5	3.3
Ethiopia	0.0	0.0	0.0	0.0
Ghana	11.6	0.0	0.0	0.0
Ivory Coast	3.2	3.2	0.0	0.0
Kenya	5.4	5.8	0.4	7.4
Morocco	15.1	0.3	-14.8	-98.0
Nigeria	16.8	16.8	0.0	0.0
Senegal	4.2	1.2	-3.0	-71.4
Sudan	9.6	0.1	-9.5	-99.0
Tanzania	5.4	1.9	-3.5	6.5
Togo	1.9	1.9	0.0	0.0
Tunisia	5.9	0.0	-5.9	-100.0

1/ Includes countries not shown separately.
2/ Excludes Luxembourg.
3/ China is a participant but for technical reasons did not receive an allocatic...

Source: International Monetary Fund, International Financial Statistics, April, 1971.

5-8 percent. Smaller gains were achieved by copper, Mexican and Sudanese cotton, and burlap. In contrast, cacao prices dipped by almost 27 percent in response to higher world cocoa bean output. Rice prices fell more than one-fifth as world production reached record levels. Other price declines included rubber (19 percent), sisal (13 percent), and Philippine sugar (13 percent). Jute, hides, and UAR cotton prices moved down by less than 6 percent.

Interest Rates. Because interest rates are determined by many factors (such as money supply, degree of political stability, inflation, government policy regarding capital movements, and the length of the credit period) they can vary widely from country to country and can fluctuate in response to changes in these factors. However, if these factors are equated, there is a direct relationship between the movement of interest rates and the flow of liquid assets (short-term capital). In other words, liquid assets will flow toward the highest available interest rate. Although expectations regarding future long-term interest rates do tend to affect even short-term capital movements, it is largely the rate applied to credits of 1 year or less which attracts the speculative capital and can cause large short-run fluctuations in international reserves among the world's monetary capitals. Reserve fluctuations were quite evident in 1969, 1970 and early 1971 as short-term capital moved between the United States and other monetary capitals in response to shifts in relative interest-rate levels. The flow of U.S. short-term capital into Germany in early 1971 was greatly influenced by the fact that German interest rates were far above U.S. rates (see page 16).

Interest rates moved generally higher in 1969 and the first half of 1970. According to the International Monetary Fund, at the close of 1969 Denmark had a 9-percent Central Bank discount rate, highest of the major industrial countries; Switzerland with 3.75 percent had the lowest rate. The corresponding U.S. rate was 6 percent. By December 31, 1970, discount rates in the United States, United Kingdom, Belgium, France, Canada and Japan had declined from their previous highs. Those in Austria and Italy were higher but rates in most other monetary capitals remained unchanged. Table 5 lists money market and Euro-dollar rates in selected countries from 1963 through 1970. In 1969 and 1970 these rates were generally higher than rates in earlier years, but by the third quarter of 1970, they were moving downward. This downward movement continued into 1971, and by February most rates were below the 1969 level.

The high 1969-70 interest rates reflected not only the desire of individual countries to attract investment capital but attempts to curb inflation via restrictive credit policies. In this regard, many of the world's central banks raised discount rates during the 1969-70 period, but it was probably U.S. credit restrictions that most influenced capital movements during the period.

In addition to raising its discount rate in 1969, the United States limited the upper level of interest rates payable on domestic time and savings deposits and raised bank reserve requirements. As a result, U.S. banks found it difficult to compete domestically for funds and turned to the Euro-dollar market to acquire funds for loaning within the United States. Foreign branch banks were able to supply these needed funds to U.S. parent banks because they were able to offer higher interest rates to local depositors than U.S. parent banks could offer to American depositors. However, this action

Table 4.--Monetary gold holdings for selected countries 1/

Country or institution	Total Dec. 31, 1970	Change from previous year: Absolute	Change from previous year: Relative
	Million U.S. dollars	Million U.S. dollars	Percent
United States	11,072	-787	-6.6
South Africa	666	-449	-40.3
Spain	498	-286	-36.5
United Kingdom	1,349	-122	-8.3
Japan	532	119	28.8
Country holdings, net	2/37,185	2/-1,940	-5.0
Developed countries	33,896	-1,779	-5.0
Less developed countries	2/ 3,285	2/ -165	-4.8
International agencies, net	4,102	2,220	118.0
International Monetary Fund	4,339	2,029	87.8
Bank for International Settlements	-282	198	41.2
Other	45	-7	-13.5
World total, countries and institutions	2/41,285	2/ 275	0.7

1/ Excluding IMF gold tranche position and lending to the IMF.
2/ Based on IMF estimates
Source: International Monetary Fund, International Financial Statistics, April 1971.

Table 5.--Money Market and Euro-Dollar Rates

Country	1963	1964	1965	1966	1967	1968	1969	1970	1970 I	1970 II	1970 III	1970 IV
	In percent per annum											
United States 1/	3.16	3.55	3.95	4.88	4.33	5.35	6.69	6.44	7.26	6.75	6.38	5.36
United Kingdom 1/	3.66	4.61	5.91	6.10	5.82	7.04	7.63	....	7.54	6.89	6.83	6.82
Industrial Europe:												
Belgium 2/	2.28	3.34	3.14	3.89	3.22	2.86	5.28	6.26	6.28	6.52	6.20	6.05
France 2/	3.98	4.70	4.17	4.79	4.77	6.21	8.97	8.67	9.79	9.09	8.28	7.53
Germany 2/	2.97	3.29	4.11	5.34	3.35	2.58	4.81	8.67	9.04	9.52	8.62	7.80
Netherlands 1/	1.94	3.37	3.87	4.74	4.57	4.46	5.55	5.97	6.00	6.00	6.00	5.89
Switzerland 2/	1.75	2.35	2.63	3.18	2.71	2.25	3.28	3.33	3.91	3.38	2.86	3.17
Canada 1/	3.57	3.74	3.97	5.00	4.60	6.25	7.17	6.12	7.62	6.41	5.63	4.80
Euro-Dollar London 3/	3.95	4.62	4.81	6.12	5.46	6.36	9.76	8.52	9.42	8.87	8.30	7.47

1/ Average tender rate for 3-month Treasury Bill.
2/ Average of daily or weekly Call Money rates.
3/ Average of daily quotations for 3-month deposits.
Source: IMF, International Financial Statistics, April 1971.

absorbed a substantial amount of Euro-dollars, reducing the quantity available for loans within foreign countries. In response to this decrease in Euro-dollar availability, and a subsequent shortage of international liquidity, interest rates moved generally higher in 1969 and the first half of 1970. An additional factor contributing to a tight liquidity situation and helping to push 1969 interest rates higher was currency hoarding by speculators awaiting the 1969 French franc devaluation and the Deutche mark revaluation.

With a U.S. economic slowdown evident by second-half 1970, the Federal Reserve Bank lowered its discount rate. In most monetary capitals, discount and market rates followed the U.S. discount rate downward. However, rates in other monetary capitals remained higher than U.S. rates and a U.S. short-term capital outflow and a worsening of the 1970 U.S. balance of payments resulted.

Financial Conditions In Selected Foreign Markets For U.S. Farm Commodities

by

Amalia Vellianitis and Carolee Santmyer

Beginning with this edition of Foreign Gold and Exchange Reserves a new analytical tool has been added. Each country analysis contains a statistical table composed of major economic indicators relevant for that country. Most tables contain some of the same indicators, such as gross national product (GNP), gross domestic product (GDP), or rates of growth, but many others will be different. Particularly for some of the less developed countries, such indicators as the debt service ratio and export price indexes for primary exports are of considerable importance.

Sources used for this information include IMF, International Financial Statistics, Washington, D. C., April 1971; Organization for Economic Cooperation and Development (OECD), Economic Surveys, Paris, 1970, 1971; Department of State, Agency for International Development, Gross National Product, Growth Rates and Trend Data by Region and Country, Washington, D. C., 1970; and various economic reports of U.S. Government agencies.

Developed Nations

The member nations of the OECD, an organization which includes a majority of the free world's most developed countries, collectively had a 2.75-percent increase in real output in 1970. This compared with 4.8 percent in 1969. The annual growth rate was close to zero in North America while the collective rate for OECD's European members was 5 percent. With an 11.5-percent increase, Japan's output continued to outpace the others.

For most members, the rate of output decelerated in the second half of 1970. A number of factors contributed to the slowdown. Among them were labor problems in Canada, the United States, and Italy; a drop in foreign demand

for exports from France and Japan; a weakening of the growth rate of consumption and investment demand in Germany; and a tight monetary policy in Canada.

Forecasts for 1971 place total growth in OECD output at roughly 4.75 percent, mainly because of substantial improvement expected in the North American growth rate.

Countries chosen for review in this section are major markets for U.S. agricultural products.

FRANCE

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross national product				
Current prices	$bil.	113.2	130.6	145.9
Constant 1962 prices	"	90.4	97.5	103.4
Change	pct.	4.8	7.9	6.0
Per capita in 1962 prices	$	1,810	1,940	2,040
Change	pct.	4.0	7.2	5.2
Industrial production	1962=100	134.0	151.0	159.0 (Aug.)
Central Bank discount rate, end of year	pct.	6.0	8.0	7.0 (Oct.)
Unemployment rate, pct. of active population	pct.	2.3	2.1	2.5 (Sept.)
Consumer prices	1962=100	122.5	130.4	138.7 (Sept.)

During 1970, French international reserves rose by over $1 billion and the trade deficit dropped by about the same amount.

The devaluation of the franc and the subsequent revaluation of the mark encouraged substantial inflows of foreign capital. In addition, a tight exchange control system has enabled the Bank of France to register consistent international reserve gains since November 1969. These inflows have been used to pay off all existing short-term foreign exchange debt as well as bolster international reserve holdings.

Export returns climbed roughly one-fifth to nearly $17.9 billion and imports rose about one-tenth to $19.1 billion. Exports were stimulated by the 1969 devaluation that contributed to the high level of foreign demand in 1970. Import prices rose more than 8 percent in 1970 while export prices climbed 7 percent. France receives about 10 percent (by value) of its imports from the United States which in turn, takes about 5 percent of French exports.

Gross national product in 1970 grew in real terms by roughly 6 percent and per capita GNP improved by over 5 percent. The unemployment rate moved up slightly but still remained under 3 percent in September. Inflationary pressure helped send the consumer price index in September nearly 6 percent above a year earlier. Wage rates grew by an estimated 10 percent and unit labor costs by 5 percent. After devaluation, price increases for imported industrial inputs also contributed to inflationary pressures.

Industrial output grew over 5 percent in 1970. Although growth was rapid in the first quarter of the year, it subsequently slowed. Concern expressed by producers and retailers led to an easing of credit restraints which had been imposed in 1969 to curb inflation. To relax restraints, required down payments were lowered and payment periods were lengthened for all consumer durables. The Bank of France also lowered its discount rate and abolished the system of quantitative controls on bank lending. However, to control the growth of the money supply, the Bank tightened minimum reserve requirements by requiring that banks hold reserves against both deposit liabilities and outstanding loans. The investment banks, with their minimal deposit requirements, were required to raise their reserve deposits with the Bank of France.

UNITED KINGDOM

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross domestic product				
Current prices	$bil.	87.6	91.6	1/98.9
Constant 1963 prices	"	74.7	75.2	1/76.7
Change	pct.	2.9	0.6	1/ 2.0
Per capita in 1963 prices	$	1,349	1,350	1,369
Change	pct.	3.3	0.0	1.4
Savings as pct. of disposable income	pct.	7.5	7.8	8.3
Industrial production	1963=100	119.8	122.9	123.1 (Sept.)
Central Bank discount rate, end of year	pct.	7.0	8.0	7.0
Commercial Bank prime rate, end of year	pct.	8.0	9.0	8.0
Unemployment rate, percent of labor force	pct.	2.4	2.4	2.6
Wholesale prices	1963=100	117.3	121.4	127.3 (Nov.)
Retail prices	1962=100	125.0	131.8	145.0
Average earnings	1966=100	115.3	124.3	144.4 (Oct.)

1/ Estimated.

The U.K. balance of payments was in surplus by $3.1 billion in 1970. The current account surplus rose $500 million to $1.5 billion because of both increased exports and higher net invisible earnings. Net capital inflows of $1.2 billion were a substantial improvement over the $36 million net outflow of 1969. Unidentified transactions accounted for an additional inflow of $377 million.

The country's 1970 balance of payments and level of international reserves received a boost early in the year from renewed confidence in sterling and throughout the year from the relatively lower short-term interest rates in many other monetary capitals. Both of these encouraged capital inflows. In addition, inflationary pressures in other countries enabled the United Kingdom to maintain some of the relative advantage gained by the 1967 devaluation. In other words, rising prices for exported goods did not reduce export volume. In fact, a 6-percent increase was registered for both export prices and volume in 1970. Nevertheless, British production costs have increased faster than costs in many other industrial countries, indicating that there has probably been some narrowing of U.K. exporters' profit margins since devaluation. Import volume rose 7 percent while cost of imports climbed by only 3 percent in 1970. About 12 to 14 percent of U.K. trade occurs with the United States.

At the close of 1970, international reserves, including almost $266 million in SDR's, totaled over $2.8 billion, $300 million above 1969. The addition of SDR's plus foreign exchange inflows produced the reserve gains. In contrast, there was a net outflow of gold and the reserve position with the IMF declined. During the year, over $3.1 billion in official short- and medium-term loans were repaid to overseas monetary authorities and $91 million in reserves was used to finance the increase in the U.K.'s IMF quota.

Gross domestic product grew at a slow pace in 1970 while inflation increased rapidly. The rise in retail prices was almost 4 times faster than that of real GDP. Higher import costs and indirect taxes had an initial upward price effect after devaluation, but increases in wages and earnings were the major inflation factor in 1970. By November 1970, basic hourly wage rates and average earnings were about 14 percent above year-earlier levels. The unemployment rate remained at about the 1969 level. In the first half of 1970 there was extensive bank lending to the private sector in response to a rapid rise in the financial deficit of industrial and commercial companies. This contributed to an excessive growth of domestic credit; the level of bank lending declined by the second half of the year.

CANADA

Foreign exchange continued to flow into the country, due to an unprecedented trade surplus and continued long-term capital inflows. By the end of the year, Canada's reserves had increased 50.6 percent, and the Canadian dollar, freed from a fixed par value with the U.S. dollar on May 31, was very close to par with the U.S. dollar.

Canada has been lowering its interest rates by small, frequent increments since April 1970. This was done to stimulate the internal economy, prevent

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross national product				
Constant 1961 dollars, change	pct.	4.9	5.0	1/2.7
Wholesale prices	1962/63=100	110.3	115.5	117.2

Quarterly items	Unit or base year	1969		1970				1971
		III	IV	I	II	III	IV	Feb.
U.S. Dollar exchange rate spot rate	cents per Can$	92.6	93.1	93.2	96.7	98.1	99.0	99.3
Central Bank discount rate, end of year	pct.	8.00	8.00	8.00	7.00	6.50	6.00	5.25
Rate of increase of reserves	pct.	-0.2	5.0	16.0	20.4	5.1	3.00	3.6
Unemployment rate of civilian labor force	pct.	4.9	5.0	4.8	6.1	6.8	N.A.	N.A.

N.A.--Not available. 1/ Estimated.

unmanageable amounts of foreign capital from entering the country, and in response to interest rates in other countries. Since then the Central Bank rate has been lowered from 8 percent to 5¼ percent in February 1971. Reserves have still been increasing absolutely, but at a much slower rate, since interest rates began declining.

Canada's trade balance showed a very large surplus as demand for imports slackened. Total imports were slightly less than in 1969, reflecting the slowdown in GNP growth. Exports continued to reflect buoyant world markets and increased at a good rate.

Canada has succeeded in dampening inflation this past year, but at the expense of some sectors of the economy. The battle to quell inflation was fought with tight fiscal and monetary policies through most of the year. A tight government budget to curtail spending in the fiscal year ended March 31, 1970, resulted in a government surplus. Tight monetary policy resulted in exceptionally high interest rates throughout 1969 and into 1970, until they started declining quite rapidly. The government also established a Prices and Incomes Commission whose purpose was to induce business firms to limit price increases.

As the year progressed, these policies plus the effect of the slowdown in the U.S. economy combined to produce a slowdown in the Canadian economy. Net economic growth slowed from about 5 percent in 1969 to about 2.7 percent in

1970. Unemployment climbed and hit a peak in September of 6.9 percent -- compared with 5.8 percent in the United States. In the latter half of the year, Canada acted to reverse the situation, ease credit, and reduce unemployment.

Fiscal stimuli were added to the budget. The 3 principal items were a 10-percent increase in unemployment insurance benefits, amounting to Can$31 million; an increase of Can$40 million in federal government aid to the provinces through long-term loans at favorable interest rates; and an additional allocation of Can$23 million to various governmental departments and agencies to undertake capital investments in regions where unemployment is particularly high.

JAPAN

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross national product				
Current prices	$bil.	141.9	166.4	1/196.6
Constant 1965 prices	"	125.2	140.9	1/157.1
Change	pct.	14.3	12.5	11.5
Per capita 1965 prices	$	1,235	1,375	1/1,515
Change	pct.	13.1	11.3	10.2
Industrial production	1965=100	159.2	185.9	1/217.4
Central Bank discount rate,				
end of period	pct.	5.84	6.25	6.00(Oct.)
Commercial Bank average rate	"	7.38	7.60	7.69(Sept.)
Call money rate	"	7.66	8.25	7.75(Oct.)
Unemployment rate	"	1.2	1.1	2/1.2
Wholesale prices	"	105.1	107.4	1/111.4
Consumer prices	"	115.1	121.1	1/129.8
Wages, industrial average	"	140.8	162.8	3/171.9
Export prices	"	101.0	103.7	2/108.7

1/ Preliminary. 2/ Average first 9 months. 3/ Average first 8 months.

For the first time since 1967, Japan's balance of payments surplus declined. It deteriorated by $903 million to $1.38 billion in 1970, reflecting a worsening in both current and capital accounts.

The current account surplus ($2.0 billion) shrank $94 million, largely due to higher import-related transportation costs which increased the invisibles deficit. The merchandise trade surplus rose. The net outflow of long-term capital soared from $155 million in 1969 to $1.6 billion in 1970 as net lending by Japan rose and net purchases of Japanese securities by foreigners declined. In contrast, there was a net short-term capital inflow of $959

million (up $640 million from a year earlier) reflecting investor response to the country's relatively high short-term interest rates.

Japan's economic output grew substantially in 1970, but 1 percentage point less than in 1969. Despite the apparent decline in the rate of output for iron and steel, textiles, passenger cars, some electrical appliances, and certain kinds of machinery, industrial production rose almost 17 percent. Rising production costs, including a decline in productivity, narrowed corporate profit margins. In addition, inventories of many products swelled in 1970, reflecting a slowdown in finished goods shipments.

By October 1970, credit restrictions, imposed earlier to curb the rate of economic expansion, were eased to prevent an excessive decline in economic growth. On an annual basis, the 1970 inflation rate was close to 6.6 percent.

GERMANY

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross national product				
Current prices	$bil.	134.7	164.6	185.1
Constant 1962 prices	"	115.4	136.4	147.8
Change	pct.	7.6	18.1	4.7
Industrial production	1963=100	126.0	142.7	151.1
Central Bank discount rate, end of year	pct.	3.00	6.00	6.00
Call money rate	"	2.58	4.81	8.67
Consumer price index	1963=100	112.7	115.8	120.1
Export prices	"	105.7	111.2	116.5
Import prices	"	103.3	105.9	105.1

Foreign exchange poured into Germany at a tremendous rate during all of 1970 as a result of relatively high interest rates and the continuing high level of foreign demand for German goods.

Domestically there was some internal concern for mounting prices and wages, which would have dictated keeping interest rates high. However, further increases in the discount rate -- even maintenance of the rate at 7.50 percent -- became impossible by the middle of 1970. Use of the discount rate as a deflationary weapon is at present precluded by the large inflows of foreign funds. Thus the Central Bank rate descended, from 7.50 percent in July 1970 to 5.00 percent by April 1, 1971. However short-term interest rates have not closely followed this change.

Germany's internal economic problems are most strongly reflected in the current account of its balance of payments. The labor market is extremely tight with

unemployment less than 1 percent and wages and salaries rising at an annual rate of nearly 15 percent. Even with an increase in productivity of about 4 percent, this has added over 10 percent to unit labor costs. Although prices have not yet fully reflected these large increases in costs, they could eventually, raising export prices and lowering Germany's competitive position. The October 1969 revaluation of the Deutsche mark has already had some effect in this direction. Trade figures for the past 2 years indicate that imports have been growing at a faster rate than exports -- an expected effect of an upward revaluation of a currency.

The rate of increase in the balance of trade surplus is being diminished by these factors, as well as being partially offset by transfers abroad by the 2 million immigrant workers now in Germany.

As a potential counterweight to these developments, the government is pushing ahead with a more liberal policy toward Eastern Europe which has boosted trade in this direction.

Still, the overriding situation that Germany and the international financial community face is the continuing strength of the German economy and, accordingly, the Deutsche mark. This has led to an overwhelming inflow of foreign capital for investment and speculative purposes.

Less Developed Countries

Less developed countries (LDC's) realized a net $2.4-billion improvement in their 1970 reserves. Half of the gain occurred in the Libyan Arab Republic ($672 million) and Brazil ($550 million) as the result of higher petroleum exports by Libya and inflows of capital into Brazil. Senegal had the highest relative increase, 175 percent. The largest relative losses were sustained by Pakistan and Sudan, each with roughly a 39-percent decline. Pakistan also sustained the greatest actual loss of reserves ($125 million), followed by Iran ($103 million).

Economic conditions of several LDC's are reviewed below. These countries include leading participants in the U.S. Food-For-Peace program (P.L. 480), large commercial importers (or potential importers) of U.S. agricultural products, and countries which have experienced significant shifts in reserves.

COLOMBIA

Colombia's external financial position deteriorated in 1970. The balance of payments (as measured by net changes in international reserves) was in deficit by $1.5 million, compared to a $12.2-million 1969 surplus. Increased imports, substantial payments for invisibles, and outflows of investment income enlarged the current account deficit. In addition, a smaller capital account surplus resulted from a decline in medium- and long-term capital inflows.

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross domestic product				
Constant 1968 prices	$mil.	5,987	6,378	1/6,844
Change	pct.	5.5	6.5	7.0
Per capita 1968 prices	$	302	312	324
Change	pct.	3.8	3.3	3.7
Industrial production	1966=100	109.7	1/117.2	1/127.9
Central Bank, rediscount rate	pct.	8.0	8.0	8.0 (Aug.)
Commercial Bank, prime rate	"	14.0	14.0	14.0 (Aug.)
External debt service ratio	pct.	N.A.	13.0	12.0
Import coverage ratio	months	3.2	3.8	3.6
Wholesale prices	pct.	114.7	123.0	132.5
Cost of living	"	115.5	119.6	126.3
Wages, manufacturing	"	123.0	135.9	N.A.

1/ Estimated.
N.A. -- Not available.

Short-term capital inflows rose, responding to the need to finance the current account deficit. International reserves of $206 million by the close of 1970 were equivalent to roughly 3.6 months of import needs. Imports in 1970 benefited from a liberalization of import policies and rose 22 percent. Export receipts climbed 19 percent, mainly because of higher coffee prices and a slight increase in the volume of coffee shipped. Between 40 and 50 percent of total trade occurs with the United States.

By September 30, 1970, the external public and publicly-guaranteed debt topped $1.2 billion, 75 percent higher than the end-of-year 1966 level. In the same period, export receipts rose less than half that amount. However, the scheduled debt service payments are comparatively light relative to annual export receipts.

In 1970, for the third consecutive year, the Colombian economy expanded at an increasing rate, benefiting from improved economic and financial policies of recent years. In fact, real 1970 growth of GDP was the highest since 1959. A 6.6-percent inflation rate was apparent in 1970 and this problem could intensify as the result of increased wage demands and added deficit financing by the government.

INDIA

India's international reserves have more than doubled in the past 6 years. In the past year, reserves continued their upward climb at some expense to some

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Population	mil.	524	537	550
National income				
Constant 1960/61 prices				
growth rate	pct.	8.9	1.8	1/5.0
Growth rate per capita	"	6.3	-0.6	2.5
Industrial production ...	1963=100	124	133	140
Central Bank discount				
rate, end of period	pct.	5.0	5.0	5.0
Wholesale prices	1963=100	153	156	166

1/ Estimated.

sectors of the economy. Exports increased by 7 percent and imports rose by only 4 percent. The country's policy of cutting down imports and encouraging exports is causing some shortage in industrial inputs. Early in 1971, a leading importer and distributor of U.S. machine tools and industrial equipment in West Benegal closed because of increasing difficulty in obtaining foreign exchange, and 4 other privately owned manufacturing firms in the Calcutta area closed, partly because of a shortage of imported raw materials. About 10,000 workers are unemployed in West Benegal because of these closures. Imports in the future may have to expand faster to provide the needed inputs for India's growing industrialization.

Though national account figures are not yet available, it is generally agreed that the economy is growing at a satisfactory rate, with GNP growing about 5 percent per year. The population is growing at 2.5 percent a year.

Growth in agricultural production, especially in food grains, is responsible for this increase in GNP. Industrial production has grown at about 5 to 6 percent, although industrial increases in the future may well depend on the availability of needed inputs. At present the sector has a sizable unused capacity.

IVORY COAST

One of the brighter spots in terms of economic progress and stability in Africa is the Republic of the Ivory Coast. For most of the last decade it experienced economic boom. Its accumulation of exchange reserves is due mainly to its consistent trade surplus.

With a largely agricultural economy, the country is oriented towards export markets for coffee, cocoa, bananas, and wood which account for four-fifths of export volume. The Ivory Coast is the world's third largest coffee producer and may soon become the third largest cocoa producer. In 1969, for the first time, timber became the largest export, exceeding coffee.

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross domestic product				
Current prices	$mil.	1,178	N.A.	N.A.
Central Bank discount rate, end of period	pct.	3.5	3.5	3.5
Consumer prices	1963=100	116.7	122.0	1/133.6
Export prices				
Coffee	1963=100	124	126	148
Cacao	"	141	196	164
Exports as a pct. of GDP	pct.	35.4	N.A.	N.A.
Imports as a pct. of GDP	pct.	28.8	N.A.	N.A.

1/ Estimated.
N.A. -- Not available.

Although recent export figures for the 4 major commodities are not available, these exports are estimated to be doing quite well because of satisfactory world market prices and a very good 1969/70 crop year for this country. Because exports compose about 35 percent of GDP, the Ivory Coast is largely dependent on world market prices for these commodities.

Since independence in 1960, GDP has increased by an average 10.8 percent per year at current prices, or an estimated 7-7.5 percent in real terms. With per capita income slightly less than $300, the Ivory Coast is the most prosperous nation in black Africa.

The Ivory Coast's rapid growth is also due to its internal stability. This stability has attracted large numbers of foreign investors from France, West Germany, Italy, Japan and Israel. Foreign investors have been given strong inducements and private enterprise has been encouraged.

KOREA

Korea's primary economic policy in 1970 was stabilization, following several years of high rates of economic growth. Successful government actions reduced the rate of growth by nearly 40 percent. Korea's imports rose only 6 percent, from 1969's 25-percent increase. Exports, however, once again leaped ahead by about one-third.

Primary concerns are the balance of trade deficit, the growing external debt service ratio, and the threat of higher inflation. In the past year the Central Bank rate declined again by 3 percentage points, bringing this rate, which had been abnormally high since 1965, more in line with other interest rates. This action, which normally would have an expansionary effect on the economy, was counteracted by other monetary restrictions imposed to curb the

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross national product				
Current prices	$bil.	5.6	6.7	1/ 7.8
Per capita	$	182	216	1/ 250
Constant 1961 prices, change	pct.	13.3	15.9	1/ 9.7
Central Bank discount rate, end of period	pct.	23.0	22.0	19.0
Wages, change	"	7.5	11.5	20.0
Wholesale prices, change	"	8.1	6.8	9.1
Debt service as a percent of export earnings	pct.	22.9	26.3	18.1
Export prices	1963=100	125	119	125
Import prices	"	101	99	102

1/ Estimated.

excessive liquidity which developed in 1969. In that year, domestic credit and money supply rose by about 58 percent and 44 percent respectively, gross investment rose by almost a third, and imports were about 2½ times the size of exports. In terms of price increases, the policy of monetary restraint was not as successful as had been hoped, partly because of the delayed effects of monetary expansion from 1969 and the unusually high government support price for rice. However, prices probably will dampen more this year.

Foreign loans continue to flow into the country for development purposes. Korea's external debt increased substantially in 1970, as it did in 1969.

PAKISTAN

In 1970, East Pakistan weathered a devastating cyclone and tidal waves. The effects have reverberated on the economy as well as the political stability of the country. One of the first effects was a greatly increased need for food imports by East Pakistan. Current estimates place total fiscal-year 1970/71 food imports at 3 million tons, one-third to one-half more than last year. About 40 percent of these imports will be U.S. wheat. The cyclone also heightened tensions between East and West Pakistan as charges of mishandling of relief procedures and funds were exchanged. Tensions erupted in political crisis and civil war early in 1971, with East Pakistan's attempt to separate from West Pakistan.

The difference in the rate of economic development between East and West Pakistan have become of increasing concern to all Pakistan. Under the Third Five-year Plan which ended June 30, 1970, West Pakistan's economy grew about a third, or 2 percent faster than for East Pakistan. The overall emphasis was on

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross national product				
Constant 1959/60 prices	$mil.	1/10,436	1/11,084	1/11,752
Change	pct.	6.4	6.2	6.0
Per capita	$	1/95	1/99	N.A.
Agricultural production, main crops	1959/60=100	142	146	N.A.
Central Bank discount rate	pct.	5.00	5.00	5.00
Wholesale prices	1962/63=100	123	130	134
IMF Fund Holdings of Pakistan rupees as percent of quota	pct.	111	143	119

1/ Estimated.
N.A. -- Not available.

development and a high growth rate. The Fourth Five-year Plan is expected to place more emphasis on eliminating the income difference between East and West.

Final figures on Pakistan's growth rate over the past 3 years may be slightly lower than presently estimated. It can be surmised however, that GNP growth was sustained at a fairly good rate, while wholesale price increases were kept at a fairly low level. In the external sector, while foreign public investment commitments have lagged somewhat, payments on existing debts continue to mount. Pakistan's external debt service payments as a percentage of exports are estimated to be nearly one-fifth of total exports.

At the same time, Pakistan's foreign exchange reserves have decreased substantially as the country has sought to pay back its drawings of foreign exchange from the IMF. At the end of November 1970, the Fund was holding 119 percent of Pakistan's quota in rupees versus 143 percent a year ago. Normally the Fund holds 25 percent of a country's quota in gold and 75 percent in local currency.

PHILIPPINES

Remedial measures employed by the Philippines in 1970 appear to have strengthened the country's financial position. The year ended with a $38-million balance-of-payments surplus, the first in 4 years. Merchandise exports rose substantially, mainly due to a good growing season and increased availability of products for exports. But the rise also reflects the influence of the recently instigated floating exchange rate which improved the competitive standing of Philippine exporters. After being floated by the Central Bank on February 21, 1970, the exchange rate quickly advanced from the par value of 3.9 pesos per U.S. dollar to above 6.4 pesos. It has remained at about this

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross national product				
Constant 1955 prices	$mil.	4,512	4,794	1/5,005
Change	pct.	6.2	6.2	4.4
Per capita in 1955				
prices	$	126	129	1/135
Change	pct.	2.5	2.7	4.8
Industrial production ...	1955=100	250	254	261
Commercial Bank prime				
interest rate	pct.	14.4	12.5	11.7
External debt service				
ratio	pct.	16.8	23.7	29.9
Wholesale prices	1957=100	171	172	205
Cost of living	"	154	157	181
Wages, blue collar	1955=100	156	163	173

1/ Converted at the 3.9 peso per U.S. dollar exchange rate in effect before February 1970. If converted at the 6.4 peso rate prevailing after February, the GNP would equal $3,050 million and the per capita $82.

level since September 1970. By raising the importer's costs, and subsequently the cost of imported goods to the consumer, the new higher exchange rate helped to curb imports and lower the trade deficit.

Higher inflows of private long-term capital were largely responsible for the sizable net surplus on the capital account in 1970. This compares with a significant deficit in 1969.

External debt remains a serious problem for the Philippines. Total foreign debt increased $290 million in 1970 to $1.8 billion. Part of the increase was used to boost net international reserve holdings which increased $130 million by the end of the year. The debt structure was also improved in 1970 by arranging a longer time period for payment of past short-term debt. In addition, new short-term debt was strictly limited. Nevertheless, debt service payments remained a very high 30 percent of receipts from exports of goods and services.

The economy in general did not expand as rapidly in 1970 as in the previous 2 years. Although agriculture had a good crop year before the advent of the October and November typhoons, industrial production suffered from the higher cost of imported inputs. In addition, the tight credit policy of 1970 caused a liquidity crisis in many industries and the rising cost of borrowing severely affected industrial development. Industrial production rose by less than 3 percent in 1970 but inflation continued at a rapid pace. Consumer prices climbed almost 15 percent and wholesale prices rose nearly 20 percent.

Basic Economic Indicators

Item	Unit or base period	1967	1968	1969
Gross domestic product				
Market prices	$mil.	817.1	845.9	1/839.4
Per Capita	$	228	231	224
Average rate of growth per annum in CFA francs (1967-1969)	pct.	N.A.	1.9	N.A.
Central Bank discount rate	pct.	3.5	3.5	3.5
Consumer prices	1963=100	108	109	113
Exports	$mil.	139	151	115
Imports	"	157	180	185

1/ Calculated at the exchange rate of CFAF 246.85 = U.S.$1.00 in effect before August 1969. If converted at the new exchange rate of CFAF 277.71 = U.S. $1.00, the 1969 GDP would have been $745.4 million and per capita $199.

N.A. -- Not available.

Senegal easily fits the description of a one-crop economy. The growth and success of its economy and its external financial position largely depend on the production and exportation of peanuts. Peanuts (including processing) account for almost 20 percent of gross domestic product and 75 percent of exports for Senegal's 3.8 million people.

Senegal's trade balance account has been deteriorating for the last 5 years. A combination of factors relating to peanuts is primarily responsible. For 3 crop years in a row -- 1967-69 -- drought conditions strongly affected production. The gradual phasing out of the guaranteed price for peanuts on the French market (Senegal was a French colony until 1960) began in 1964 and led to a 20-percent fall in average export prices. This decline was only partially offset by EEC price subsidies in effect from 1964 to 1968. The economy has not adequately adjusted to this fundamental market deterioration.

Even in 1970, a relatively good crop year, production was not expected to be as high as it could have been. Some farmers have begun diverting peanut land to other food crops because of their recent difficulties. Also, the use of fertilizer was drastically reduced the past few years, because it increased in price. Fertilizer prices did decrease somewhat in 1969, though information is not available for 1970.

The decrease in exports and steady rise in imports have caused a consistent deficit in the trade account. Unrequited transfers, mainly foreign aid, have made up part of the deficit. Still there has been a general decrease in international reserves since 1962, when reserves stood at $76 million. Reserves reached the lowest point at the end of 1969 -- $7.8 million -- but have since

increased almost three fold. The increase is the result of inflows of aid and some investment capital. This, however, does not represent any substantive structural improvement in the balance of payments.

Senegal's large increase in foreign reserves cannot be taken at face value. Senegal must still solve its economic problems of maintaining its share of the world peanut market while diversifying and industrializing its economy.

TUNISIA

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross domestic product				
Current prices	$mil.	1,108	1,169	1,235
Constant 1966 prices	"	1,058	1,108	1,140
Per capita	$	219	229	229
Central Bank discount rate, end of period	pct.	5.00	5.00	5.00
Wholesale prices	1963=100	131	133	138
External debt service ratio	pct.	24	25	27
IMF holdings of Tunisian dinars as percent of quota, end of period	pct.	150	145	138

Tunisia's international reserves rose sizably in 1970, mostly as the result of official grants and loans. Although final balance of payments figures are not yet in, the current account probably showed a larger deficit than in 1969. Exports probably rose by 8 percent, and imports by 11 percent. Grants and loans totaled about $133 million. With a population of only 5.1 million, average per capita foreign aid is about $26, one of the highest amounts in the world. Aid substantially increased in 1970 as a result of damaging floods in late 1969. These floods caused over 90 percent of the country to be declared a disaster area. Irrigation facilities, bridges, roads, and railroads were severely damaged or destroyed.

As a result, more resources were expended this year for internal improvements that would otherwise have gone toward increasing exports and import-substitutive goods. This largely explains why the external debt service ratio increased and is at such a high level.

Agricultural production improved substantially. The 1970 wheat crop was 50 percent above 1969 levels. Barley output almost doubled. Thus, grain imports should be down this year. Good weather, increased acreage, and wider use of U.S.-introduced high-yielding Mexican wheat have all contributed to the increase.

Olive production declined severely, with one of the smallest presses in 10 years of about 20,000 tons of oil.

Tunisia's 2 principal exports are phosphates and oil. Exports of the former constitute 25 percent of export earnings. At 4 million metric tons, petroleum production is minuscule compared to some of Tunisia's neighbors, yet petroleum exports bring in 18 percent of export earnings.

Despite an annual average growth rate in GDP of 3.6 percent, per capita growth is less than 1 percent because of the very high population growth rate.

Tunisia faces many problems in its efforts to achieve internal and external financial growth. Its limited resources, burgeoning population, and the vagaries of its weather all stand as obstacles to steady economic growth, but Tunisia has the advantages of a unified populace and political stability.

VENEZUELA

Basic Economic Indicators

Item	Unit or base period	1968	1969	1970
Gross national product				
Constant 1968 market prices	$mil.	10,592	11,005	N.A.
Per capita	$	1,086	1,090	N.A.
Gross domestic product				
Current market prices, change	pct.	5.7	3.5	N.A.
Central Bank discount rate, end of period	pct.	4.5	5.5	5.5
Consumer prices	1963=100	107	110	112
Petroleum production	"	111	111	114
Petroleum export prices	"	100	100	100
Iron ore export prices	"	139	135	N.A.

N.A. -- Not available.

The Venezuelan economy was in a very good financial position both internally and externally in 1970. Reserves currently are adequate to cover over 7 months of imports -- a position many countries would envy. The outstanding stimulus to the economy has been the expansion of petroleum production in response to increased foreign demand. Petroleum production in the first half of 1970 averaged almost 3,700,000 barrels daily, or 4.5 percent above the comparable 1969 period, and for the year was forecast about 3 percent above 1969. Output in other extractive industries also improved. In the first 5 months of 1970, iron ore production totaled 8 million metric tons, an increase of 24 percent over the comparable 1969 period. Iron ore exports to Western Europe, particularly West Germany, have risen as a result of high world demand and labor difficulties of some European suppliers. Iron ore constitutes about 5 percent of total exports.

Slightly over 90 percent of Venezuela's exports consist of petroleum products. Since 30 percent of gross domestic product consists of exports, the country watches world demand and supply of petroleum quite closely. About 13 percent of all imports consist of agricultural commodities. The United States supplies over 45 percent of all of Venezuela's imports, and ranks Venezuela among its 20 largest markets.

Venezuela has increased agricultural production considerably in the last few years. Its trade policy reflects an increased but selective emphasis on agricultural commodities. Agricultural imports are divided into 3 categories: (1) import-substitutive products for which trade restrictions are very high; (2) commodities that are also produced domestically in surplus for which export markets must be developed, and which may also have severe import restrictions; and (3) commodities that cannot be produced locally, for which no significant restrictions are planned.1/

The United States is the leading supplier for some imported commodities, including wheat, cottonseed and vegetable oils, and processed fruits and vegetables.

Though Venezuela's growth rate has not been exceptionally high over the past few years, its per capita income is by far the highest in Latin America. Population growth has been at a high 3.6 percent per year over the last 10 years. Prices have increased very slowly. Social problems do exist, however. Migration from rural areas has caused acute urban housing shortages and has aggravated the unemployment problem. About one-fifth of the urban labor force has been estimated to be unemployed. Some projects are planned or already under way to improve the lot of these unskilled workers.

The Size and Composition of the Trade Sector

by

Amalia Vellianitis

The external financial position of a country can be influenced considerably by changes in domestic policies and internal economic activity when effects of the internal sector are transmitted to the trade sector. All of the countries analyzed in the preceding section of this publication show evidence of this interaction. Internal inflation may lead to increased import demand; a shortage of resources may lead to fewer exports; etc. One way of measuring how large an effect the internal sector will have on the external sector is by examining the ratio of exports and imports to the total output of the economy, gross national product. (See tables 6 and 7).

To some degree, every one of the 84 countries for which ratios were computed is susceptible to fluctuations in its international monetary position stemming

1/ Foreign Agriculture, Vol. VII, No. 32, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D. C.

Table 6.--Exports as a percentage of gross national product, 1967-69 average

0-10%		11-20%		21-30%		31-40%		41-50%		51-60%		61-70%		71-80%		71-90%	91-100%	
Country	Per-cent	Country	Per-cent	Country	Per-cent	Country	Per-cent	Coun-try	Per-cent	Coun-try	Per-cent	Country	Per-cent	Coun-try	Per-cent	(none)	Coun-try	Per-cent
Argentina	9	Australia	15	Austria	27	Belgium	37	Congo,		Malta	52	Guyana	61	Kuwait	75		Singa-	
Brazil	7	Burundi	11	Bolivia	21	Cyprus	34	D. Rep.	44	Saudi		Libya	70				pore	95
Mali	2	Chile	15	Canada	23	Chad	39	Gabon	50	Arabia	57	Trinidad &						
Mexico	9	Colombia	13	Ceylon	21	Iceland	38	Malaysia	44	Zambia	59	Tobago	67					
Pakistan	5	Dom.		China	24	Ireland	35	Nether-										
United		Republic	17	Costa Rica	28	Jamaica	38	lands	43									
States	5	Ecuador	15	Denmark	28	Panama	39	Norway	42									
India	4	Cameroon	20	El Salvador	25	Switzerland	33											
		Ethiopia	11	Finland	24	Tanzania	31											
		France	14	Germany	23													
		Ghana	15	Honduras	30													
		Greece	11	Iran	24													
		Guatemala	18	Israel	25													
		Indonesia	11	Kenya	29													
		Italy	18	Malawi	23													
		Japan	11	New														
		Jordan	15	Zealand	23													
		Korea	13	Nicaragua	26													
		Morocco	20	Portugal	25													
		Nigeria	17	Sierra														
		Paraguay	13	Leone	27													
		Peru	20	South														
		Philippines	16	Africa	24													
		Spain	13	Sweden	23													
		Sudan	18	Syria	23													
		Thailand	19	Tunisia	23													
		United Arab		Venezuela	30													
		Republic	15	Togo	23													
		United																
		Kingdom	20															
		Uruguay	15															
		Vietnam	13															
		Yugoslavia	13															

Source: IMF, International Financial Statistics, April 1971.

Table 7.--Imports as a percentage of gross national product, 1967-69 average

0-10%		11-20%		21-30%		31-40%		41-50%		51-60% (none)	61-70%		71-80%		81-90% (none)	91-125%	
Country	Percent	Country	Percent	Country	Percent	Country	Percent	Country	Percent		Country	Percent	Country	Percent		Country	Percent
Argentina	9	Australia	17	Austria	28	Belgium	37	Gabon	44		Guyana	64	Chad	74		Singa-	
Brazil	7	Burundi	11	Bolivia	25	Costa Rica	33	Iceland	43		Malta	70				pore	124
Japan	9	Chile	14	Canada	24	Cyprus	39	Ireland	41		Trinidad &						
Mali	8	Colombia	14	Ceylon	24	Honduras	32	Israel	41		Tobago	64					
Mexico	10	Congo,		China	26	Jordan	39	Jamaica	44								
Pakistan	10	Dem. Rep.	19	Denmark	30	Kenya	31	Malaysia	41								
United		Ecuador	18	Dom.		Kuwait	26	Nether-	43								
States	5	Ethiopia	13	Republic	22	Libya	38	lands	43								
India	6	France	14	El Salvador	27	Malawi	37	Zambia	49								
		Germany	19	Cameroon	21	Nicaragua	31										
		Ghana	17	Finland	24	Norway	40										
		Guatemala	19	Greece	21	Panama	40										
		Indonesia	17	Korea	26	Switzerland	31										
		Iran	18	Morocco	22	Tunisia	32										
		Italy	16	New													
		Nigeria	19	Zealand	23												
		Paraguay	17	Peru	22												
		Philippines	29	Portugal	29												
		Spain	15	Saudi													
		Thailand	20	Arabia	25												
		United Arab		Sierra													
		Republic	19	Leone	28												
		United		South													
		Kingdom	20	Africa	23												
		Uruguay	12	Sudan	21												
		Yugoslavia	18	Sweden	23												
				Syria	25												
				Tanzania	28												
				Venezuela	22												
				Vietnam	29												
				Togo	28												

Source: IMF, International Financial Statistics, April 1971.

from its trade flows and internal economy. From the African nation of Mali, which has practically no foreign trade, to the Asian enterpot of Singapore, which trades at a very high level, all nations are "open" to some degree. Most countries traded 0-30 percent of their GNP in 1967-68: 74 percent exported up to 30 percent of GNP, and 68 percent imported up to 30 percent GNP. More than half of the 84 countries imported between 11 and 20 percent of GNP.

Most countries import and export at about the same levels. If they do not, the current account of their balance of payments will be in disequilibrium and may cause pressures on the capital account. There are some exceptions, however, and they are worth noting.

Pakistan imports twice as much as it exports, sustaining the imbalance by large capital inflows in the form of loans and grants. Conversely, Libya's exports, at 70 percent of GNP, far outweigh its imports of 38 percent of GNP. In the past 2 years, Libya's store of international reserves has almost tripled.

Germany enjoys a smaller range between exports and imports -- 23 and 19 percent respectively. Its balance of trade is in a surplus position. This is one of the factors that has made the German mark so sought after and caused upward pressure on the mark.

Trade and monetary policies are affected by the pattern of these ratios. For example, an underdeveloped country such as Pakistan will encourage imports as long as it continues receiving aid.

Some less developed countries restrict imports severely because of a shortage of foreign reserves or for reasons of nationalism. Near-autarchic or economic self-sufficiency can be seen in the trade policies of India and Brazil (see page 18 on India). Such a policy usually requires trade and capital barriers and exchange controls. Thus, the trade ratios of India and Brazil are very small for their stage of development.

The level of trade may be the result of a country's domestic policies -- as in the case of Brazil or India -- or the level of trade itself may dictate or strongly influence domestic policy. For example, since a large part of Norway's domestic production is destined for foreign markets, domestic policies must be tailored around export exigencies. In 1970, buoyant foreign demand for Norway's exports created a tight labor market and above normal wage increases. With higher incomes, imports increased at too great a rate. The 1971 government budget calls for an increase in taxes partly as a way of dampening demand for imports.

Countries of course try to insure stable growth for both their internal and external sectors. When, however, the needs of the internal sector are more pressing than those of the external sector, policies focus inwardly. The effects will be felt outwardly, however, in proportion to the trade ratios. Thus, to fully gauge market potential, domestic policies and trade ratios need to be considered.

In addition to the relative size of the trade sector, the composition of a country's trade is important to its economy and domestic policy. A country such as Japan which must import a large quantity of foodstuff is highly

Table 8.--Commodity concentration: percentage of exports in a single commodity, 1967-69 average

20-29%			30-39%			40-49%		
Country	Commodity	Percent	Country	Commodity	Percent	Country	Commodity	Percent
Argentina	Meat	24	Australia	Wool	35	El Salvador	Coffee	45
Cameroon	Coffee	24	Costa Rica	Coffee	33	Cent. Afr. Rep.	Diamonds	48
Greece	Tobacco	22	Guatemala	Coffee	38	Indonesia	Crude Petrol.	40
Guyana	Sugar	29	Haiti	Coffee	39	Syria	Cotton	40
Jamaica	Alumina	29	Israel	Diamond	34	U.A.R.	Cotton	44
Jordan	Phosphates	28	Malagasy	Coffee	30	Uruguay	Wool	42
Kenya	Coffee	25	Nicaragua	Cotton	35	Dahomey	Palm Products	41
Malawi	Tobacco	25	Nigeria	Petroleum	31			
Mali	Cotton	24	Somalia	Bananas	32			
Morocco	Phosphates	24	Ivory Coast	Coffee	30			
N. Zealand	Wool	20	Malaysia	Rubber	36			
Pakistan	Jute	24						
Paraguay	Meat	29						
Peru	Copper	28						
Philippine	Wood	26						
Thailand	Rice	27						
Tunisia	Phosphates	25						
Turkey	Cotton	24						
Togo	Cacao	30						

50-59%			60-69%			70-79%		
Country	Commodity	Percent	Country	Commodity	Percent	Country	Commodity	Percent
Brazil	Coffee	55	Burma	Rice	63	Bolivia	Tin	71
Colombia	Coffee	58	Ceylon	Tea	62	Honduras	Bananas	71
Congo, D. R.	Copper	56	Chile	Copper	69	S. Yemen	Petrol. Prod.	71
Dom. Rep.	Sugar	54	Iraq	Petroleum	69	Trin. & Tobago	Petrol. Prod.	77
Ecuador	Bananas	52	Sierra Leone	Diamonds	63			
Congo, P. R.	Wood	52	Sudan	Cotton	60			
Ethiopia	Coffee	57	Niger	Groundnuts	68			
Ghana	Cacao	56	Senegal	Groundnuts	67			
Panama	Bananas	58						
Rwanda	Coffee	57						
Uganda	Coffee	54						

80-89%			90-100%		
Country	Commodity	Percent	Country	Commodity	Percent
Burundi	Coffee	82	Iran	Petroleum	90
Chad	Cotton	83	Libya	Petroleum	99
Vietnam	Rubber	80	Venezuela	Petroleum	92
Mauritania	Iron Ore	87	Zambia	Copper	94
			Kuwait	Petroleum	98

Source: IMF, International Financial Statistics, April 1971.

interested in the vagaries of the weather in the United States and other supplying countries.

The smaller an economy, the more likely it is to have only a small variety of natural resources. Thus, it will export only a small range of goods unless there is a high degree of technology present. If the people are highly trained, the necessary raw materials can be imported and a variety of goods exported. Table 8 lists those countries with a concentration of trade of more than 19 percent in a single export. The figures are averages based on the most recent data. The fact that very few developed countries appear in this array supports the statement that the smaller, less developed economies first begin trading those commodities most abundant and readily exploitable -- and these are usually agricultural products requiring little technology to produce. Of the 69 countries listed, 47 showed export concentration in agricultural commodities (including wood).

A country with both a high export ratio and a high commodity concentration is exposed not only to general international fluctuations but also to specific market fluctuations for its major exports. For example, Honduras exports 30 percent of its GNP; bananas account for 71 percent of total exports. Therefore, about one-fifth of Honduras' GNP is income derived from exported bananas, making the country's economic health largely dependent on weather conditions, world market fluctuations in supply and demand, and similar factors affecting bananas. If there is a large downward shift in banana export earnings, income will be affected and imports may decline proportionately.

U.S. Agriculture and the Balance of Payments
by
O. Halbert Goolsby

Agriculture's gross contribution (commercial plus some contribution from non-commercial exports) to the balance of payments in 1970 was the highest since 1960 -- the beginning year for this series. After deducting agricultural imports, the net contribution is the largest of the last 3 years (table 9).

Commercial Exports, 1970

Commercial exports in 1970 (table 10), which rose to an all time record $6.1 billion, accounted for nearly all of the increase in agriculture's contribution over 1969. Although inflation was partly responsible for the commercial gain, 1970 also was probably the most outstanding year ever on a quantity basis. A quantity index that goes back to 1915 shows 1970 at a level of 111 (1967 = 100); the previous high in 1966 was 107. This index includes non-commercial as well as commercial exports, but noncommercial exports have been declining since 1964. Thus, an index on commercial exports alone would show an even greater improvement since 1964 than the index on the overall exports.

The increase in commercial exports resulted mostly from large increases in soybean and wheat exports. Mostly because of a poor grain harvest in Eastern and Western Europe, soybean exports increased 28 percent over 1969 and wheat and

Table 9.--Agriculture's contribution to the U.S. balance of payment, 1960-70

Item	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
	Million U.S. dollars										
Commercial agricultural exports	3,458	3,569	3,614	4,046	4,720	4,869	5,476	5,057	4,981	4,833	6,053
Contribution to balance of payments by noncommercial agricultural exports	171	201	288	198	240	225	184	347	314	368	376
P.L. 480, Total	122	155	257	189	240	223	184	300	246	304	320
Foreign currencies used by U.S. agencies (Title I)	118	148	156	160	223	183	132	225	185	216	213
Interest and principal repayment on dollar credit sales (Title I)	---	---	---	2	5	27	39	60	43	70	97
Interest and principal repayment in dollars of loans made in foreign currencies (Title I)	4	7	101	27	12	13	13	15	18	18	10
Mutual Security (AID) foreign currencies used by U.S. agencies	16	15	2	1	---	2	---	---	---	---	---
Export-Import Bank principal and interest dollar repayments	33	31	29	8	---	---	---	47	68	64	56
Gross contribution	3,629	3,770	3,902	4,244	4,960	5,094	5,660	5,404	5,295	5,201	6,429
Agricultural imports	-3,894	-3,756	-3,898	-4,044	-4,090	-4,086	-4,491	-4,452	-5,024	-4,958	-5,667
Net contribution	-265	14	4	200	870	1,008	1,169	952	271	243	762

---Zero or less than $500,000.

Source: Based on data from Commodity Credit Corporation, Export-Import Bank, and the Office of Business Economics, U.S. Department of Commerce.

Table 10.--U.S. merchandise trade, noncommercial and commercial, 1960-70 1/

Period and commodity group	Exports (f.o.b.)			Imports (f.o.b.)	Trade balance	
	Total	Noncommercial 2/	Commercial		Total	Commercial
	Million U.S. dollars					
Total:						
1960	19,650	2,046	17,604	14,744	4,906	2,860
1961	20,107	2,396	17,711	14,519	5,588	3,192
1962	20,779	2,503	18,276	16,218	4,561	2,058
1963	22,252	2,882	19,370	17,011	5,241	2,359
1964	25,478	3,032	22,446	18,647	6,831	3,799
1965	26,447	2,952	23,495	21,496	4,951	1,999
1966	29,389	3,152	26,237	25,463	3,926	774
1967	30,681	3,523	27,158	26,821	3,860	337
1968	33,588	3,336	30,252	32,964	624	-2,712
1969	36,473	3,097	33,376	35,835	638	-2,459
1970	42,041	3,026	39,015	39,856	2,185	-841
Agricultural:						
1960	4,835	1,377	3,458	3,894	941	-436
1961	5,023	1,454	3,569	3,756	1,267	-187
1962	5,037	1,423	3,614	3,898	1,139	-284
1963	5,584	1,538	4,046	4,044	1,540	2
1964	6,350	1,630	4,720	4,090	2,260	630
1965	6,229	1,360	4,869	4,086	2,143	783
1966	6,879	1,403	5,476	4,491	2,388	985
1967	6,381	1,324	5,057	4,452	1,929	605
1968	6,221	1,240	4,981	5,024	1,197	-43
1969	5,958	1,125	4,833	4,958	1,000	-125
1970	7,168	1,115	6,053	5,667	1,501	386
Nonagricultural:						
1960	14,815	669	14,146	10,850	3,965	3,296
1961	15,084	942	14,142	10,763	4,321	3,379
1962	15,742	1,080	14,662	12,320	3,422	2,342
1963	16,668	1,344	15,324	12,967	3,701	2,357
1964	19,128	1,402	17,726	14,557	4,571	3,169
1965	20,218	1,592	18,626	17,410	2,808	1,216
1966	22,510	1,749	20,761	20,972	1,538	-211
1967	24,300	2,199	22,101	22,369	1,931	-268
1968	27,367	2,096	25,271	27,940	-573	-2,669
1969	30,515	1,972	28,543	30,877	-362	-2,334
1970	34,873	1,911	32,962	34,189	684	-1,227

1/ Data are on a balance of payments basis which, primarily, excludes military shipments which are included in Bureau of the Census data.

2/ Total noncommercial exports are equal to the amount of U.S. merchandise financed by the U.S. Government with international grants and credits and which involve no direct dollar outflow from the United States. Noncommercial agricultural exports are from table 11 and noncommercial nonagricultural exports are the residual.

Source: ERS statistics and Survey of Current Business. U.S. Department of Commerce.

wheat products increased 33 percent. Feed grain exports were also up significantly, by nearly a fourth.

Furthermore, livestock industries in these and other developed countries, notably Japan, expanded in response to a higher level of demand for meat and livestock products. This in turn was due to economic expansion and rising incomes. This widespread expansion in livestock production required larger imports of feed grains, soybeans and soybean products.

U.S. exports of all other commodity groups increased too, except for meat and meat products, hides and skins, poultry products, and unmanufactured tobacco.

Noncommercial Exports, 1970

Over the past 10 years, the contribution to the balance of payments from noncommercial exports fluctuated between 3 and 8 percent of the contribution from commercial exports. The contribution from noncommercial exports in 1969 and again in 1970 equaled about $375 million.

Dollar credit sales under Public Law 480 in 1970 increased very significantly (nearly 40 percent).

P.L. 480 requires that local currency sales cease by the end of 1971 and be replaced by dollar credit sales. As the shift from local currency to dollar credit sales takes place, local currency receipts by the U.S. Government have dropped below needs in many countries. This has happened even though a Currency Use Payment (CUP) is most often included in dollar credit sales programs. A CUP provides that a country pay, upon delivery of the commodities, local currency as part of the payment for a program.

Since a country must pay the balance in dollars in subsequent years, the terms are often harder in the long run than a straight local currency program. Consequently, the United States often does not require that a high percentage of the program be covered by CUP. The United States must then purchase local currencies with dollars to supplement local currencies derived from P.L. 480 or other government programs. The purchase of local currencies with dollars gives assistance to the recipient country, but is a balance of payments drain on the United States.

Although local currencies must be purchased with dollars in a number of countries, the United States had an excess supply in countries like India, Pakistan, and Indonesia, which cannot support P.L. 480 programs with relatively hard financial terms. Nevertheless, the United States is still moving toward dollar credit programs with these countries. Unless the economies of these countries improve significantly, the terms of future dollar credit programs will have to be very soft. At present the law permits a period of 10 years before the first payment is due, and the entire credit period can be as long as 40 years.

Although some exports of agricultural commodities for local currency take place under Mutual Security (AID) programs, they amounted to only $10 million in 1970. Export-Import Bank programs are somewhat more important. Payments

in dollars of principal and interest on these programs totaled $56 million in 1970, and $64 million the year before (table 9). However, an increase in shipments in 1970 (table 11) should improve the contribution of these programs in the next few years. The Export-Import Bank's main programs that contain farm commodities are programs with Japan (cotton) and with Israel (soybeans).

Agricultural Imports, 1970

Agricultural imports increased 14 percent last year in response to continuing increases in consumer incomes and rising domestic prices. Imports of supplementary (competitive) goods rose about 14 percent to $3.5 billion because of increased quantities as well as higher prices for some commodities. The volume of complementary imports did not increase. However, higher prices boosted the value about 15 percent. Sharply higher prices were paid for coffee, which accounts for about 20 percent of our total agricultural imports and over half of our complementary imports.

Quarterly Changes

Tables 12, 13, and 14 show changes by quarters -- from the fourth quarter of 1968 through the fourth quarter of 1970. It was not until the third quarter of the year that agriculture showed a positive contribution to the balance of payments (table 12). Most of the contribution came in the fourth quarter. Although commercial exports moved at a substantial clip during the first 3 quarters, they reached an extremely high level ($1.9 billion) in the fourth (table 13). Noncommercial exports showed only normal fluctuations during the year (table 14).

Table 11.--U.S. agricultural exports on a noncommercial basis, by type of program, 1960-1970 1/

Year	Total	P.L. 480: Total	P.L. 480: Local currency sales 2/	P.L. 480: Dollar credit sales 2/ 3/	P.L. 480: Grants	Mutual security (AID) disposal	Export-Import Bank 4/
	Million U.S. dollars						
1960	1,377	1,198	980	---	218	157	22
1961	1,454	1,241	902	---	339	179	34
1962	1,423	1,379	1,012	39	328	35	9
1963	1,538	1,527	1,149	50	328	11	---
1964	1,630	1,607	1,234	97	276	23	---
1965	1,360	1,334	914	147	273	26	---
1966	1,403	1,313	840	233	240	47	43
1967	1,324	1,225	740	190	295	33	66
1968	1,240	1,158	558	335	265	11	71
1969	1,125	1,049	333	462	254	5/12	64
1970	1,115	1,029	288	490	251	5/12	74

---Zero or less than $500,000.

1/ Includes local currency sales and shipments financed by the U.S. Government with international grants or credits.

2/ Excludes the value of shipments that are purchased under the "initial payment" procedure of P.L. 480.

3/ Includes convertible local currency credit sales.

4/ Excludes shipments guaranteed by the Export Import Bank but financed by private banks.

5/ Estimated.

Source: P.L. 480 program (all titles): Office of Business Economics, U.S. Department of Commerce; Mutual Security and Export-Import Bank program: Based on data from AID and the Export-Import Bank.

Table 12.--Agriculture's contribution to the U.S. balance of payments, by quarters, 1968-70

Item	1968	1969				1970			
	IV	I	II	III	IV	I	II	III	IV
	Million U.S. dollars								
Commercial agricultural exports	1,425	764	1,188	1,236	1,645	1,311	1,377	1,448	1,917
Contribution to balance of payments by: noncommercial agricultural exports	86	81	96	83	108	91	95	90	100
P.L. 480 (Title I), Total	71	59	72	69	104	77	74	82	87
Foreign currencies used by U.S. agencies	49	42	51	59	64	58	53	58	44
Interest and principal repayment on dollar credit sales	16	14	15	7	34	18	18	23	38
Dollar collections of principal and interest on foreign currencies loans	6	3	6	3	6	1	3	1	5
Mutual Security (AID) foreign currencies used by U.S. agencies	---	---	---	---	---	---	---	---	----
Export-Import Bank principal and interest dollar repayments	15	22	24	14	4	14	21	8	13
Gross contribution	1,511	845	1,284	1,319	1,753	1,402	1,472	1,538	2,017
Agricultural imports	-1,235	-999	-1,356	-1,241	-1,362	-1,442	-1,436	1,374	1,415
Net contribution	276	-154	-72	78	391	-40	36	164	602

---Zero or less than $500,000.

Source: Same as in table 9.

Table 13.--U.S. merchandise trade, noncommercial and commercial, by quarters, 1968-70 1/

Period and commodity group	Exports (f.o.b.) Total	Exports (f.o.b.) Noncommercial 2/	Exports (f.o.b.) Commercial	Imports (f.o.b.)	Trade balance Total	Trade balance Commercial
	Million U.S. dollars					
Total:						
1968 IV	8,716	738	7,978	8,619	97	-641
1969 I	7,438	635	6,803	7,333	105	-530
II	9,872	1,073	8,799	9,739	133	-940
III	8,965	657	8,308	9,169	-204	-861
IV	10,198	732	9,466	9,594	604	-128
1970 I	10,129	822	9,307	9,458	671	-151
II	11,032	859	10,173	10,024	1,008	149
III	10,020	615	9,405	9,854	166	-449
IV	10,860	730	10,130	10,520	340	-390
Agricultural:						
1968 IV	1,669	244	1,425	1,235	434	190
1969 I	952	188	764	999	-47	-235
II	1,690	502	1,188	1,356	334	-168
III	1,416	180	1,236	1,241	175	-5
IV	1,900	255	1,645	1,362	538	283
1970 I	1,637	326	1,311	1,442	195	-131
II	1,713	336	1,377	1,436	277	-59
III	1,649	201	1,448	1,374	275	74
IV	2,169	252	1,917	1,415	754	502
Nonagricultural:						
1968 IV	7,047	494	6,555	7,384	-337	-831
1969 I	6,486	447	6,039	6,334	152	-295
II	8,182	571	7,611	8,383	-201	-772
III	7,549	477	7,072	7,928	-379	-856
IV	8,298	477	7,821	8,232	66	-411
1970 I	8,492	496	7,996	8,016	476	-20
II	9,319	523	8,796	8,588	731	208
III	8,371	414	7,957	8,480	109	-523
IV	8,691	478	8,213	9,105	-414	-892

1/ Same as footnote 1, table 10.
2/ Same as footnote 1, table 10 except the source for noncommercial agricultural exports is table 14.

Source: ERS statistics and Survey of Current Business, U.S. Department of Commerce.

Table 14.--U.S. agricultural exports on a noncommercial basis, by type of program, by quarter, 1968-1970

Quarter	Total	P.L. 480				Mutual security (AID) disposal	Export-Import Bank 4/
		Total	Local currency sales 2/	Dollar credit sales 2/ 3/	Grants		
	Million U.S. dollars						
1968 IV	244	229	66	101	62	3	12
1969 I	188	180	36	105	39	3	5
II	502	459	180	168	111	5/3	40
III	180	168	59	61	48	5/3	9
IV	255	242	58	128	56	5/3	10
1970 I	326	296	101	127	68	5/3	27
II	336	312	85	163	64	5/3	21
III	201	193	39	85	69	5/3	5
IV	252	228	63	115	50	5/3	21

1/ 2/ 3/ 4/ 5/ Same as in table 11.

Source: Same as in table 11.

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